

Tab 13

MASTER POWER PURCHASE AND SALE AGREEMENT

COVER SHEET

This *Master Power Purchase and Sale Agreement* ("Master Agreement") is made as of the following date: February 23, 2007 ("Effective Date"). The *Master Agreement*, together with the exhibits, schedules and any written supplements hereto, the Party A Tariff, if any, the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including any confirmations accepted in accordance with Section 2.3 hereto) shall be referred to as the "Agreement." The Parties to this *Master Agreement* are the following:

Name ("PSEG Energy Resources & Trade LLC" or "Party A" or "ER&T")

Name ("Ocean Energy Corporation" or "Party B")

All Notices:

All Notices:

Street: 80 Park Plaza, T19

Street: 29261 Wall Street

City: Newark, NJ

Zip: 07102-4194

City: Wixom, MI

Zip: 48393

Attn: Manager of Energy Contracts

Attn: Contract Administration – Sheila Miller

Phone: (973) 430-8241

Phone: (248) 380-3920

Facsimile: (973) 643-3882

Facsimile: (248) 380-2038

Duns: 84-878-4257

Duns:

Federal Tax ID Number: 22-3663483

Federal Tax ID Number: 20 0395393

Invoices:

Attn: Manager – Wholesale Energy Transactions

Phone: (973) 430-7054

Facsimile: (973) 623-0328

Invoices:

Attn: Mark Ivankovics

Phone: (248) 380-3920

Facsimile: (248) 380-2038

Scheduling:

Attn: Scheduling

Phone: (973) 430-6246

Facsimile: (973) 621-6245

Scheduling:

Attn: Tony Aiello

Phone: (732) 657-6285

Facsimile: (732) 657-5387

Payments:

Attn: Manager - Wholesale Energy Transactions

Phone: (973) 430-7054

Facsimile: (973) 623-0328

Payments:

Attn: Mark Ivankovics

Phone: (248) 380-3920

Facsimile: (248) 380-2038

Wire Transfer:

BNK: J P Morgan Chase & Co

ABA: 021000021

ACCT: 9102641827

Wire Transfer:

BNK: Comerica Bank

ABA: 552077772

ACCT: 1851670669

Credit and Collections:

Attn: Credit Risk Manager

Phone: (973) 430-6643

Facsimile: (973) 643-3882

Credit and Collections:

Attn: Mark Ivankovics

Phone: (248) 380-3920

Facsimile: (248) 380-2038

With additional Notices of an Event of Default or Potential Event of Default to:

Attn: Credit Risk Manager

Facsimile: (973) 643-3882

And

Attn: General Counsel

Facsimile: (973) 643-8385

With additional Notices of an Event of Default or Potential Event of Default to:

Attn: Scott Salisbury

Phone: (248) 380-3920

Facsimile: (248) 380-2038

The Parties hereby agree that the General Terms and Conditions are incorporated herein, and to the following provisions as provided for in the General Terms and Conditions:

Party A Tariff: Market-Based Power Sales Tariff Dated: 10/1/99 Docket Number: ER99-3151-001

Party B Tariff: Dated: Docket Number:

Article Two

Transaction Terms and Conditions ☒ Optional provision in Section 2.4. If not checked, inapplicable.

Article Four

Remedies for Failure to Deliver or Receive ☒ Accelerated Payment of Damages. If not checked, inapplicable.

Article Five

Events of Default; Remedies

☐ Cross Default for Party A:

☐ Party A: _____

Cross Default Amount:

☐ Other Entity: PSEG Power LLC

Cross Default Amount:

\$

☐ Cross Default for Party B:

☐ Party B: Ocean Energy Corp

Cross Default Amount:

\$

☐ Other Entity:

Cross Default Amount: \$

5.6 Closeout Setoff

☐ Option A (Applicable if no other selection is made.)

☐ Option B - Affiliates shall have the meaning set forth in the Agreement unless otherwise specified as follows: No other meaning specified.

☒ Option C (No Setoff)

Article 8

Credit and Collateral Requirements

8.1 Party A Credit Protection:

(a) Financial Information:

☒ Option A

☐ Option B Specify:

☐ Option C Specify: _____

(b) Credit Assurances:

☒ Not Applicable

☐ Applicable

(c) Collateral Threshold:

☒ Not Applicable

☐ Applicable

> Party B Independent Amount: Party A shall withhold as an Independent Amount the entirety of the first two month's payment due Party B and thereafter payments shall be made on a timely basis. This Independent Amount shall be applicable to any and all future Transactions entered into by the Parties and shall be subject to increase or decrease, as the case may be, on a Transaction-by-Transaction basis, as mutually agreed to by the Parties and shall be returned to

Party B when there are no longer any outstanding Transactions between the Parties.

(d) Downgrade Event:

- ☒ Not Applicable
☐ Applicable

If applicable, complete the following:

- ☐ It shall be a Downgrade Event for Party B if Party B's Credit Rating falls below _____ from S&P or _____ from Moody's or if Party B is not rated by either S&P or Moody's
☐ Other:
Specify: _____

(e) Guarantor for Party B: None

Guarantee Amount: Not Applicable

8.2 Party B Credit Protection:

(a) Financial Information:

- ☐ Option A
☒ Option B Specify: PSEG Power LLC
☐ Option C Specify: _____

(b) Credit Assurances:

- ☒ Not Applicable
☐ Applicable

(c) Collateral Threshold:

- ☒ Not Applicable
☐ Applicable

(d) Downgrade Event:

- ☒ Not Applicable
☐ Applicable

If applicable, complete the following:

- ☐ It shall be a Downgrade Event for Party A if Party A's Credit Rating falls below _____ from S&P or _____ from Moody's or if Party A is not rated by either S&P or Moody's
☐ Other:
Specify: _____

(e) Guarantor for Party A: PSEG Power LLC

Guarantee Amount: An amount equivalent to four (4) months of revenues from all products. Solely for the purpose of establishing a guarantee amount, the estimated revenues for the 2.5 MW of Unit Firm Energy to be priced at the Day Ahead PJM energy spot market price shall be set at the Contract Price. [See attached confirmation dated February 23, 2007 for calculation.]

Article 10

Confidentiality

☒ Confidentiality Applicable

If not checked, inapplicable.

Schedule M

☐ Party A is a Governmental Entity or Public Power System

☐ Party B is a Governmental Entity or Public Power System

☐ Add Section 3.6. If not checked, inapplicable

☐ Add Section 8.6. If not checked, inapplicable

Specify, if any: Yes, the following changes shall be applicable:

Other Changes

MASTER POWER PURCHASE AND SALES AGREEMENT

This addendum ("Addendum") is made by and between PSEG Energy Resources & Trade LLC ("ER&T") and Ocean Energy Corporation, referred to together as the "Parties" or individually as "Party".

WHEREAS, the Parties have entered into a Master Power Purchase and Sale Agreement ("Master Agreement") of the same date as this Addendum which they wish to amend;

NOW, THEREFORE, in consideration of the mutual promises, covenants and provisions contained in the Master Agreement, the parties agree as follows:

(1) **Definitions.** The following definitions are amended or added as set forth below:

(i) Section 1.1 is amended to delete the words "through one or more intermediaries" and add the following to the end thereof: "Notwithstanding the foregoing, "Affiliate" in the case of ER&T shall mean "PSEG Power LLC" with respect to Section 10.5 of this Agreement and in all other instances shall mean "none"."

(ii) Section 1.50 is amended by deleting the definition of "Recording" in its entirety and substituting the following therefor:

(iii) "Recording" has the meaning set forth in Section 2.5.

(iv) Section 1.51 is amended to (i) add the phrase "for delivery" immediately before the phrase "at the Delivery Point" in the second line and (ii) delete the phrase "at Buyer's option" from the fifth line and replace it with the following: "absent a purchase".

(v) Section 1.53 is amended to (i) delete the phrase "at the Delivery Point" from the second line and (ii) delete the phrase "at Seller's option" from the fifth line and replace it with the following: "absent a sale"

(2) **Other Amendments to General Terms and Conditions.**

(i) Section 2.1 is amended to delete the following phrase: "(i) based on any law requiring agreements to be in writing or to be signed by the parties, or"

(ii) Section 2.3 is amended to delete the following phrase: "substantially in the Form of Exhibit A" wherever it appears in Section 2.3.

(iii) Section 2.4 is amended to delete the words "either orally or" in the penultimate line thereof.

(iv) Section 2.5 is deleted in its entirety and replaced by the following:

"Each party to this Master Agreement acknowledges and agrees to the tape or electronic recording of telephone conversations of trading, marketing and scheduling personnel of the Parties in connection with this Master Agreement whether by one or other or both of the Parties. In the event of a dispute between the Parties, each Party agrees to supply the other Party a copy of all such relevant recordings between the Parties upon request."

(v) Section 4.1 is amended to add the phrase "an intentional breach of this Agreement that is" in the second line following the phrase "and such failure is"

(vi) Section 4.2 is amended to add the phrase "an intentional breach of this Agreement that is" in the second line following the phrase "and such failure is"

(vii) Section 5.1 Events of Default Clause (g) is hereby amended by deleting the words ", or becoming capable at such time of being declared,".

(viii) Section 5.1 Events of Default Clause (g) (ii) is hereby amended by adding the phrase the "under such agreements or instruments (after giving effect to any applicable notice, requirement, or grace period)" after "(as specified in the Cover Sheet)" and before "," on the last line.

(ix) Section 5.1 (h) (ii) is hereby amended to by inserting in the fourth line after the word "within" the words "the time period specified in such guaranty, or if no time period is so specified, within".

(x) Section 5.5 Disputes With Respect to Termination Payment: - the text of this paragraph shall be deleted and the following inserted: "Disputes With Respect to Termination Payment. If the Defaulting Party disputes the Non-Defaulting Party's calculation of the Termination Payment, in whole or in part, the Defaulting Party shall, within two (2) Business Days of receipt of Non-Defaulting Party's calculation of the Termination Payment, provide to the Non-Defaulting Party a detailed written explanation of the basis for such dispute. Upon the request of the Non-Defaulting Party, the Defaulting Party shall transfer Performance Assurance to the Non-Defaulting Party in the amount of the disputed portion of the Termination Payments. Payment of the undisputed portion of the Termination Payment shall be made when due. Payment of the disputed amount shall not be required until the dispute is resolved. Upon resolution of the dispute, any required payment shall be made within two (2) Business Days of such resolution along with interest accrued at the Interest Rate from and including the due date to but excluding the date paid."

(xi) Section 7.1 Limitations of Remedies, Liability and Damages: Throughout this paragraph, the term "Obligor" shall be replaced with the term "Parties".

(xii) Section 8.3 is deleted in its entirety.

(xiii) ARTICLE NINE: GOVERNMENTAL CHARGES is amended as follows:

The following sentence is added after the last sentence to Section 9.2 Governmental Charges: "Either Party, upon written request of the other, shall provide a certificate of exemption or other reasonably satisfactory evidence of exemption if either Party is exempt from Governmental Charges and shall use reasonable efforts to obtain and cooperate with obtaining any exemption from or reduction of Governmental Charges"

(xiv) ARTICLE TEN: MISCELLANEOUS is amended as follows: (a) Section 10.5 Assignment. (1) In the fourth line, remove the parenthetical phrase "(and without relieving itself from liability hereunder)" and place it at the end of subparagraph (i) before the comma; and (2) change the word "affiliate" to "Affiliate."

(b) Section 10.6 Governing Law. In the fourth line, change "NEW YORK" to "NEW JERSEY."

(c) Section 10.8 General. The following sentence is added after the ninth sentence of Section 10.8:

"If the Parties are unable, despite such efforts, to reform this Agreement within thirty (30) days of such Regulatory Event, the adversely affected Party may terminate any adversely affected Transaction(s) and liquidate and close out such Transaction(s) using the procedures in ARTICLE FIVE. Written notice shall be given of such an election to terminate at least two (2) Business Days prior to such termination."

(d) Section 10.11 Confidentiality is amended as follows:

(i) The phrase "or the completed Cover Sheet to this Master Agreement" immediately before the phrase "to a third party" and to add the phrase "or the Party's Affiliates" immediately after the phrase "(other than the Party's."

(ii) The following sentence is added after the last sentence to Section 10.11:

"With respect to information provided with respect to a Transaction, this obligation shall survive for a period of one year following the expiration or termination of such Transaction. With respect to information provided with respect to this Master Agreement, this obligation shall survive for a period of one year following the expiration or termination of this Master Agreement."

(e) The following new Section 10.13 is added to ARTICLE TEN:

"Section 10.13. Alternative Dispute Resolution. All disputes arising under or directly or indirectly connected with this Master Agreement are subject to the following sole and exclusive procedures; provided however, that any claim by either party related to such disputes shall be time-barred unless the asserting party commences an arbitration proceeding with respect to such claim within one (1) year of the Termination Date of the Transaction Date to which the claim relates."

(i) Negotiation Between Executives:

(a) Not less than forty five (45) days prior to the commencement of Arbitration as set forth in Section (ii) below, the parties shall attempt in good faith to resolve any claim or dispute arising out of or relating to this Master Agreement or breach, termination or validity thereof (hereinafter referred to as "Dispute") promptly through negotiation between representatives of the parties who have authority to settle the controversy. The party asserting a claim must notify the other party of such claim in writing. Within thirty (30) days after delivery by one party to the other party of a written notice of Dispute, the receiving party shall send a written response to the originating party. Both the notice and the response shall include (a) a statement of the party's position and a summary of arguments supporting that position; and, (b) the name and title of the executive who will represent that party and of any other person who will accompany the executive. Within thirty (30) days after delivery of the originating party's notice, the designated executives of the parties shall meet at a mutually acceptable time and place and, thereafter, as often as they deem necessary to attempt to resolve the Dispute. All reasonable requests for information made by one Party to the other will be honored.

(b) If the Dispute has not been resolved within thirty (30) days of the originating party's notice or, if the parties fail to meet within thirty (30) days, either party may initiate arbitration of the Dispute as provided below.

(c) All negotiations pursuant to this clause shall toll the time period specified herein for commencement of an arbitration proceeding and shall be confidential and treated as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and state rules of evidence.

(ii) Arbitration:

Any Dispute that has not been resolved pursuant to the provisions of (a) above, shall be adjudicated by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (AAA) in effect on the date of this Master Agreement, by three independent and impartial arbitrators, of whom each party shall appoint one, and the third shall be selected by the first two. If a Party refuses to honor its obligations to arbitrate, the other Party may seek to compel arbitration in either federal or state court. If a Party fails to designate an arbitrator, the other Party may have an arbitrator appointed by applying to the senior active United States District Judge for the Southern District of New York. If the two arbitrators chosen by the Parties fail to agree upon the third arbitrator, both or either of the Parties may apply to the senior active United States District Judge for the Southern District of New York for the appointment of a third arbitrator. Each arbitrator shall be a person who has over two (2) years professional experience in electrical energy related transactions and who has not previously been employed by either party and does not have a direct or indirect interest in either party or the subject matter of the arbitration. Each arbitrator shall take an oath of neutrality and it shall be grounds for removal of any arbitrator or for vacating the arbitrators' award if any of such arbitrators is determined to have been selected in violation of the requirements of this Section. The three arbitrators shall make all of their decisions by majority vote. The arbitrators' ultimate decision after final hearing shall be in writing. The United States Arbitration Act, 9 U.S.C. Sections 1-16, shall govern the arbitration and judgment upon the award rendered by the arbitrator(s) may be entered by any court having jurisdiction thereof. The place of arbitration shall be New York, NY. The arbitrator(s) are not empowered to award any damages other than as specifically provided for in this Agreement, and each party hereby irrevocably waives any right to recover such damages with respect to any dispute resolved by arbitration. The arbitrators shall have no authority to award treble, exemplary or punitive damages of any type under any circumstances whether or not such damages may be available under state or federal law, or

otherwise. In deciding the substance of the parties' claims or disputes, the arbitrators shall apply the substantive laws of the State of New York (excluding New York choice-of-law principles that might call for the application of some other state's law). To the fullest extent permitted by law, any arbitration proceeding and the arbitrator's award shall be maintained in confidence by the Parties."

(f) The following provision is added as "Section 10.14: "Absent the agreement of all Parties, the standard of review for changes to all rate or charges agreed to pursuant to each and every Confirmation under the Agreement proposed by Party A, Party B, a non-party or the Federal Energy Regulatory Commission acting *sua sponte* shall be "public interest" standard of review set forth in United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956)."

(g) The following provision is added as Section 10.15 Index Transactions:

1) **Market Disruption.** If a Market Disruption Event occurs during a Determination Period, the Floating Price for the affected Trading Day(s) shall be determined by reference to the Floating Price specified in the Transaction for the first Trading Day thereafter on which no Market Disruption Event exists; provided, however, if the Floating Price is not so determined within three (3) Business Days after the first Trading Day on which the Market Disruption Event occurred or existed, then the Parties shall negotiate in good faith to agree on a Floating Price (or a method for determining a Floating Price), and if the Parties have not so agreed on or before the twelfth Business Day following the first Trading Day on which the Market Disruption Event occurred or existed, then the Floating Price shall be determined in good faith by taking the average of two dealer quotes obtained from dealers of the highest credit standing which satisfy all the criteria that the Seller applies generally at the time in deciding to offer or to make an extension of credit.

"Determination Period" means each calendar month a part or all of which is within the Delivery Period of a Transaction.

"Exchange" means, in respect of a Transaction, the exchange or principal trading market specified in the relevant Transaction.

"Floating Price" means a Contract Price specified in a Transaction that is based upon a Price Source.

"Market Disruption Event" means, with respect to any Price Source, any of the following events: (a) the failure of the Price Source to announce or publish the specified Floating Price or information necessary for determining the Floating Price; (b) the failure of trading to commence or the permanent discontinuation or material suspension of trading in the relevant options contract or commodity on the Exchange or in the market specified for determining a Floating Price; (c) the temporary or permanent discontinuance or unavailability of the Price Source; (d) the temporary or permanent closing of any Exchange specified for determining a Floating Price; or (e) a material change in the formula for or the method of determining the Floating Price.

"Price Source" means, in respect of a Transaction, the publication (or such other origin of reference, including an Exchange) containing (or reporting) the specified price (or prices from which the specified price is calculated) specified in the relevant Transaction.

"Trading Day" means a day in respect of which the relevant Price Source published the Floating Price.

2) **Corrections to Published Prices.** For purposes of determining a Floating Price for any day, if the price published or announced on a given day and used or to be used to determine a relevant price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement within one (1) year of the original publication or announcement, either Party may notify the other Party of (i) that correction and (ii) the amount (if any) that is payable as a result of that correction. If, not later than thirty (30) days after publication or announcement of that correction, a Party gives notice that an amount is so payable, the Party that originally either received or retained such amount will, not later than three (3) Business Days after the effectiveness of that notice, pay, subject to any applicable conditions precedent, to the other Party that amount, together with interest at the Interest Rate for the period from and including the day on which payment originally was (or was not) made to but excluding the day of payment of the refund or payment resulting from that correction.

3) Calculation of Floating Price. For the purposes of the calculation of a Floating Price, all numbers shall be rounded to three (3) decimal places. If the fourth (4th) decimal number is five (5) or greater, then the third (3rd) decimal number shall be increased by one (1), and if the fourth (4th) decimal number is less than five (5), then the third (3rd) decimal number shall remain unchanged.

- (3) **SCHEDULE P: PRODUCTS AND RELATED DEFINITIONS** of the Master Power Purchase & Sale Agreement, Version 2.1 (modified 4/25/00) published by the Edison Electric Institute and National Energy Marketers Association is incorporated by reference herein and amended as follows:

The definition of "Unit Firm" is amended to include the following at the end of clause (i) "or as a result of the required maintenance of the specified generation asset(s) as so determined in a commercially reasonable manner by Party B; provided, however, that Party B uses its best efforts to provide Party A with at least thirty (30) days' prior written notice of such maintenance or a change in maintenance schedule, or if Party B is unable to provide such notice to Party A, then Party B shall provide Party A with notice of such maintenance or change in maintenance schedule by whatever reasonable means necessary and as soon as reasonably practicable before the occurrence thereof.

IN WITNESS WHEREOF, the Parties have caused this Master Agreement to be duly executed as of the date first above written.

Party A – PSEG Energy Resources & Trade LLC

Party B – Ocean Energy Corporation

JPR By: Kevin J. Quinn
Name: Kevin J. Quinn
Title: President

By: William L. Owen
Name: WILLIAM L. OWEN
Title: VICE PRESIDENT

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2/23/07